Secy. II-27—100,000—21-5-52.

Development (1958) Department.

MJ SERIES.

G.O. No. 5420

Dated 2-11-48

[Despatch Abstract.]

Textiles- Handloom cloth- Export to Pakistan Abuse of free licensing- Papers recorded.

Dated 1st July.1948.

To

The Secretary, to Government,
Development Department,
Government of Madras.

Sir,

Sub: Handloom Piecegoods - Export of - To Pakistan- from Madras Province.

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I wish to place the following facts and figures before you for information and necessary action.

It was advised by the Madras Government to the Central Government that there will be a surplus of 1,00,00,000 (Ten Millions) yards of Handloom Piecegoods available for export to Pakistan during the period March-June 1948. On this basis export licences were issued and during March and April alone 10 millions yards were exported to Pakistan. On 22-4-1948 when it was declared that free export could be made to Pakistan there was rapid speed in the export and by the end of June, 30 millions yards were exported to Pakistan excluding the 10 millions exported prior to April 22nd. There will be a Steamer touching Madras Port during the first week of July and others may touch Madras before the month ends, and therefore a further huge yardage is expected to be exported. Hence the export figure comes to five times the estimated target.

3. 90% of the exporters are Merchants of Pakistan who come to Madras, purchase the goods on abnormal rates and export the same. 99% of the quality is 20s. It is realiably informed that this variety is being used in Pakistan for Tents for the Soldiers and Tribes-men.

4. Our Province people being poor most of them are using Corse, and due to the abnormal export the pride of the variety increased to 200% and the poor people of our Province are suffering great length.

5. It is note-worthy that most of the exports are being made by Air. Every day two Cargo Planes fly from Madras to Karachi carrying the 20s Piecegoods and from the expenditure being incurred by the exporter for the freight alone, it can be judged how much profit he is getting through these export. Further almost all the exporters are being Pakistan Merchants, they will naturally leave the Province on conclusion of the transaction and this Government is not going to get the legitimate revenue by way of Incom-tax. Every merchants have earned during this period millions of rupees and this can be verified from the copies of invoices produced at the Customs Office. They are all staying in Hotels and have no shops or permanent place of business here.

6. Therefore, for the interest of this Province, I hope you will take immediate necessary steps to check the activities of these malafide exporters.

7. Further, in the event of re-introducing quota system which I understand, will come into force from August 1948,

it

it is represented that this period (March/July 1948) should not be treated as basic period for alloting quotas to exporters. It will be just and right to treat those exporters who exported furing 1942-46 to Sind, Punjab and Bengal as quota holders. If you take into account of the exports made during the period March/July 1948, the whole future quota will go to Pakistan Merchants only.

Yours faithfully,
Sd. ****

Copy to :
The Chief Controller of Exports,
New Delhi.

Development Department.

To A.S.

The matter appears to lie entirely within the purview of a decision by the Government of India and there seems to be no need to consider the petition as the scheme for exports allowed by India will cease by July 1948.

No action seems called for. May be lodged.

Sd. ********
7.7.48

Sd .******

SD/17.8.1953

/True copy,

Office Assistant,
Madras Record Office.

Madras,
16th July, 1948.

To

Sriman
Seetharama Reddy Avl.,
Hon'ble Minister for Industries,
Government of Madras,
Madras.

Dear sir,

Sub: Export of Handloom Cotton Piecegoods to Pakistan- Restriction essential in view of abnormal prices and to safeguard our Province- preventive measures suggested- facts figures submitted.

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Madras Province is the main production centre of Handloom Piecegoods in India, and they are not produced in any other province, in large scale. With assumption that exportable quality is abundant in this Province, your Government have intimated the Central Government that 10 millions yards of Handloom Piecegoods will be available for export to Pakistan during March, April & May 1948.

But since the commencement of exports from April 1948 upto this time about 50 millions yards have been exported to Pakistan from our Province. 90% of the exporters of this quantity are Muslim Merchants of Karachi & Chittagong who having come down to Madras, staying in hotels, purchased the goods on abnormal rate and exported the same by Steamer and Air. Out of the remaining 10% exporters, 9% are Indian Muslim Merchants and only 1% Hindu merchants. These 10% Indian merchants after exporting the goods have sold the B/L to Pakistan merchants in Madras itself. The benefit of these exports are denied to our Government and enjoyed by the Pakistan Government as the merchants after exporting the goods have left this place and there are none here to pay the income-tax. These 50 millions yards of piecegoods cost here about Rs.75 millions and they are sold in Pakistan for 150 millions. The income-tax on this profit of Rs.75 millions is a loss for our Government as there is nobody here to pay the same.

The major portion of the quantity exported (95%) is 20s. The inhabitants of our province are poor class and most of them are using 20s. But due to extreme high demand for this count in Pakistan, producers here are not producing the quality required in this province out of 20s yarn, and are producing only the quality suited for Pakistan. Therefore the price of the quality used in our Province increased to 200% and the purse of the poor class been much affected.

It is reliably informed that 20s White Gadas (20x20; 12 yds. length; 50"width) are being used in Pakistan for making Tents for Troops and Tribes. This quality seems to be very essential there, and every day a full Cargo Plane is engaged by paying Rs.12,000/- as frieght to export the same to Pakistan. If this quality is exported for trade

purposes.

purposes no merchant can afford to pay such a heavy freight. There was no occasion, so far in the history, in which 20s piecegoods were exported by Air.

5. Though there is agreement between Central Government and Pakistan Government in respect of exporting Handloom Piecegoods to Pakistan, the export can be restricted and I suggest the following preventive measures:-

1. Quota system is to be introduced.

2. When such quota system is introduced the period April 1948 to July 1948 should not be treated as basic period, because 90% of the exporters of this period are Merchants from Pakistan who came to Madras temporarily to purchase the goods and export the same.

3, Such quota should be alloted to only exporters who prior to Partition of India have exported these goods to Sind, Punjab, Frontier, & Bengal Provinces from the year 1944 to March 1948,

4. G.R,I. Form system to be introduced in respect of payment of invoice price as is in force for other countries such as Ceylon, Burma Malaya etc

In the circumstances it is quite essential that free export to Pakistan of this commodity should be stopped from 1st August 1948.

I have given the above facts and figures, and suggestions for your guidance as I came to understand that you are going to attend a confe[illegible] in this connection on 20th July 1948.

Yours faithfully,
Sd. ********
A Public Worker.

N.B. The writer of this is the Secretary, Tamil Nad Handloom Weavers' Federation, and he is well known In many previous occasions he has personally submitted to you several Memoranda and other representation in respect of the above federation and you were kind enough to look into the matters favourably. My present situation prevents me from seeing you personally to give full accounts of the above mentioned facts and figures and hence I am sending this by post. I earnestly hope that you will deeply consider the matter and take suitable action.

/True copy/

SD/17.8.1953

Office Assistant,
Madras Record Office.

Rc 51004/48/E.S. 5

Office of the
Provincial,Textile Commissioner,
Egmore, Madras, dated: 14.8.1948.

From

M.S. Sivaraman Esq., I.C.S.,
Provincial Textile Commissioner.

To

The Secretary to Government;
Development Department,
Fort St. George, Madras.

Sir,

Sub: Textiles- Handloom cloth. Export to Pakistan Report submitted.

Ref: (i) Government Endorsement No.73399 M/48-1 dated 7.7.48.

(ii) Tex No. D3315 dated 28-7-1948 from the Export Trade Controller, Madras.

(iii) Government memo No.73399 M/48-2 dated 28-7-48.

I enclose herewith a copy of the reply received in the matter from the Export Trade Controller, Madras which is self explanatory. I have no other particulars to add.

As the issue of free licences for export of handloom cloth outside the province has been stopped after 31.7.1948 only normal exporters can move handloom cloth to Pakistan.

In the circumstances no further action is necessary on the petitions.

Sd. ******
For Provincial Textile Commissioner.

To

A.S.

Please see the petitions at page 1-6 above and report from the Provincial Textile Commissioner at page 9-10. As free export of hand cloth has been stopped after 31.7.1948 only normal exporters can move cloth to Pakistan. No action is therefore necessary on the petitions. May be lodged after circulation. W.r.t. minutes of H.M. on page 3 above.

Sd. *******

SD/17.8.1953 /True copy/

Office Assistant,
Madras Record Office.

Copy of letter Tex No.D.3315 dated 28th July 1948 from the Export Trade Controller, Madras to the Director of Controlled Commodities, Madras.

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Export of Handloom piecegoods to Pakistan.

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Please refer to your letter No.RC. 51004/48/DC dated 16.7.1948.

2. Under the free licensing system announced by the Government of India, export Cotton handloom piecegoods is allowed freely to all destinations including Pakistan upto 31.7.1948. From the middle of April 1948 to the middle of July 1948 about 6,58,28,599 yards of ~~xxxxx~~ ~~xxxxxxxxxxx~~ Cotton handloom piecegoods have been licensed by this office for export to Pakistan. As export is allowed without count restrictions and as particulars of counts are not invariably furnished in shipping bills, it is not possible for this office to state whether exports to Pakistan were confined mainly to coarse varieties as stated in the petition. It is also not possible to state definitely whether there were any large scale exports by ~~xxxxx~~ persons other than normal exporters of such goods from this province, as individual licences were not issued under this scheme, but shipments permitted against ready stocks on the exporters filing the necessary Customs documents. It is unlikely that exports registered during this free licensing period will be taken into consideration for allotment of quota to exporters to Pakistan. As this is, however, a matter of policy affecting the trade between the two Dominions any further representation on the subject may kindly be made directly to the Government of India.

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/True copy/

Office Assistant,
Madras Record Office.

SD/17.8.1953

Development Department.

Sub:- Textiles- Handloom cloth-Export to Pakistan-Abuse of free licensing.

Ref:- From Sri V. Srinivasan petition dated 1st July 1948.
Anonymous petition dated 16.7.1948
From the Provincial Textile Commissioner Letter No.R.C. 151001/48 dated 14.8.1948
Extract from the minutes of H.M. (I)
"Examine and put up early"

H.S.R. 24.7.1948

To A.S.

The petitions at page 1-5 c.f. and the remarks of the Provincial Textile Commissioner and Export Trade Controller at page 9-12 c.f. may be perused.

The allegations in the petitions are

(1) that most of the exporters are merchants from Pakistan who have come down to this province for the purchase of cloth.

(2) that the profits of these merchants who are nationals of Pakistan go without taxation in India and to that extent diminish the revenues of the Indian Government

(3) that the cloth purchased, being of lower counts is used for tents for troops and tribesmen in Pakistan, to the detriment of the poorer classes in this Province.

The petitioner therefore advocates the reimposition of export restrictions and makes the following suggestions

(1) that exports should be allowed only through a quota system

(2) that quotas should be alloted only to merchants who exported cloth to areas now comprising the dominion of Pakistan during 1944-48 (March)

The Provincial Textile Commissioner has been consulted. He reports that as free licensing of exports has been stopped after 31.7.1948 only normal exporters can move handloom cloth to Pakistan and that no action is therefore necessary at present on the representation.

A | Submitted that the question whether free licensing should be recommended to Government of India or whether exports should be restricted by a system of licensing is under consider-ation separately. In these circumstances it is for orders whether the Provincial Textile Commissioner's view may be accepted and further action in this file dropped.

H,M. (Ind) may see w.r.t. his minutes at page 3c.f.

Sd. *******
4.9.48.

The report of the Export Trade Controller is revealing. During the period from April 1948 to the middle of July 1948 about 66 million yards were licensed for export
B | to Pakistan. It is not known whether the entire quantity has actually been exported. This information will be obtained from him.

p.t.o.

The Madras Handloom Weavers Cooperative Society is still faced with great accumulations. Our estimate of accumulations at one lakh and fifty thousand bales, which was rediculed by the Government of India as being much too high, seems after all to be correct.

The above remarks are in passing. With regard to the petitions under reference no further action is necessary in this file, in view of the position set out at 'A' on page 1 above.

Sd. *****
10.9.48

May be dropped Sd. ****
10/9.

Exports of some goods produced by hand looms is needed to keep the industry going. The question of policy whether it is to be a free export or under license must be settled quickly. Sd. ****
11/9

To A.S.

The question of policy to be followed in exporting handloom cloth 'A' above outside Indis is seperately under Considerations in the L.F. where the Provincial Textile Commissioner has been asked to examine the question in the light of the remarks of D.S. at page 9-11n.f. of that file. A copy of the minutes of H.M. (I) at 'A' above may be taken and added to that file.

A draft letter to the Export Trade Controller is submitted below with reference to 'B' above.

Sd. *****
20/9/48

Development Department.

To A.S.

The approximate quantity of Handloom cloth actually exported to Pakistan during the three months ending 15th July 1948 was 46,800,000 yds. No further actions seems called for. The papers may be recorded for future reference.

Sd. *****
2/11/1948

Development Department.

G.O. Ms. No. 5420 Development dated 2/11/48.

Abstract.

Textiles- Handloom cloth - Export to Pakistan Abuse of free licensing - Papers recorded.

Sd. *****
2/11/48

/True copy/

Office Assistant,
Madras Record Offi

SD/18.8.1953

# CRYSTALINFOSYSTEMS AND SERVICES